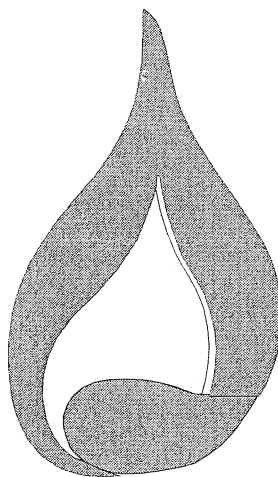


YEAR ENDING 2003

ANNUAL REPORT  
OF  
**Havre Pipeline Company**

GAS UTILITY



RECEIVED BY  
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PUBLIC SERVICE  
COMMISSION

TO THE  
PUBLIC SERVICE COMMISSION  
STATE OF MONTANA  
1701 PROSPECT AVENUE  
P.O. BOX 202601  
HELENA, MT 59620-2601

## IDENTIFICATION

Year: 2003

- |     |   |   |
|-----|---|---|
| 1.  | Legal Name of Respondent:                         | Havre Pipeline Company, LLC                       |
| 2.  | Name Under Which Respondent Does Business:        | Havre Pipeline Company, LLC                       |
| 3.  | Date Utility Service First Offered in Montana     | October 1, 1995                                   |
| 4.  | Address to send Correspondence Concerning Report: | 20 North Broadway<br>Oklahoma City, OK 73102-8260 |
| 5.  | Person Responsible for This Report:               | Robert Swan                                       |
| 5a. | Telephone Number:                                 | (405) 552-7929                                    |

## Control Over Respondent

- |     |  |  |
|-----|--|--|
| 1.  | If direct control over the respondent was held by another entity at the end of year provide the following: |  |
| 1a. | Name and address of the controlling organization or person:  | Devon Louisiana Corporation<br>same as above |
| 1b. | Means by which control was held:   | Managing Member                              |
| 1c. | Percent Ownership:   | 58%  |

## SCHEDULE 2

Board of Directors		
Line No.	Name of Director and Address (City, State) (a)	Remuneration (b)
1	NONE	
2		
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## Officers

Year: 2003

Line No.	Title of Officer (a)	Department Supervised (b)	Name (c)
1	See Schedule 1, Note 1		
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## CORPORATE STRUCTURE

Year: 2003

	Subsidiary/Company Name	Line of Business	Earnings	Percent of Total
1	NONE			
2				
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49				
50	TOTAL			

CORPORATE ALLOCATIONS

Year: 2003

	Items Allocated	Classification	Allocation Method	\$ to MT Utility	MT %	\$ to Other
1	NONE					
2						
3						
4						
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33						
34	TOTAL					

AFFILIATE TRANSACTIONS - PRODUCTS & SERVICES PROVIDED TO UTILITY

Year: 2003

Line No.	(a) Affiliate Name	(b) Products & Services	(c) Method to Determine Price	(d) Charges to Utility	(e) % Total Affil. Revs.	(f) Charges to MT Utility
1	Devon Louisiana Corporation	Management Services	Management Agreement	339,500		339,500
2						
3	Devon Louisiana Corporation	Labor Cost	Actual Payroll Cost	990,107		990,107
4						
5	Big Sky Gas Marketing	Natural Gas	Actual Cost of Gas	139,781		139,781
6						
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31						
32	TOTAL			1,469,388		1,469,388

**AFFILIATE TRANSACTIONS - PRODUCTS & SERVICES PROVIDED BY UTILITY**

Year: 2003

Line No.	(a) Affiliate Name	(b) Products & Services	(c) Method to Determine Price	(d) Charges to Affiliate	(e) % Total Affil. Exp.	(f) Revenues to MT Utility
1	Devon Louisiana Corporation	Farmstead Gas Service	Regulated	3,821		3,821
2						
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32	<b>TOTAL</b>			3,821		3,821

## MONTANA UTILITY INCOME STATEMENT

Year: 2003

	Account Number & Title	Last Year	This Year	% Change
1	400 Operating Revenues	2,962,693	11,124,521	275.49%
2				
3	Operating Expenses			
4	401 ..... Operation Expenses	1,659,424	2,909,275	75.32%
5	402 ..... Maintenance Expense	1,085,211	1,680,774	54.88%
6	403 ..... Depreciation Expense	791,099	3,300,093	317.15%
7	404-405 ..... Amort. & Depl. of Gas Plant	6,944	17,793	156.24%
8	406 ..... Amort. of Gas Plant Acquisition Adjustments			
9	407.1 ..... Amort. of Property Losses, Unrecovered Plant			
10	..... & Regulatory Study Costs			
11	407.2 ..... Amort. of Conversion Expense			
12	408.1 ..... Taxes Other Than Income Taxes	553,663	915,835	65.41%
13	409.1 ..... Income Taxes - Federal			
14	..... - Other			
15	410.1 ..... Provision for Deferred Income Taxes			
16	411.1 ..... (Less) Provision for Def. Inc. Taxes - Cr.			
17	411.4 ..... Investment Tax Credit Adjustments			
18	411.6 ..... (Less) Gains from Disposition of Utility Plant			
19	411.7 ..... Losses from Disposition of Utility Plant	98,746		-100.00%
20	<b>TOTAL Utility Operating Expenses</b>	<b>4,195,087</b>	<b>8,823,770</b>	<b>110.34%</b>
21	<b>NET UTILITY OPERATING INCOME</b>	<b>(1,232,394)</b>	<b>2,300,751</b>	<b>286.69%</b>

## MONTANA REVENUES

SCHEDULE 9

	Account Number & Title	Last Year	This Year	% Change
1	Sales of Gas			
2	480 ..... Residential			
3	481 ..... Commercial & Industrial - Small	87,502	64,096	-26.75%
4	..... Commercial & Industrial - Large			
5	482 ..... Other Sales to Public Authorities	7,804	4,833	-38.07%
6	484 ..... Interdepartmental Sales			
7	485 ..... Intracompany Transfers			
8	<b>TOTAL Sales to Ultimate Consumers</b>	<b>95,306</b>	<b>68,929</b>	<b>-27.68%</b>
9	483 ..... Sales for Resale			
10	<b>TOTAL Sales of Gas</b>	<b>95,306</b>	<b>68,929</b>	<b>-27.68%</b>
11	Other Operating Revenues			
12	487 ..... Forfeited Discounts & Late Payment Revenues			
13	488 ..... Miscellaneous Service Revenues			
14	489 ..... Revenues from Transp. of Gas for Others	2,867,387	11,055,592	285.56%
15	490 ..... Sales of Products Extracted from Natural Gas			
16	491 ..... Revenues from Nat. Gas Processed by Others			
17	492 ..... Incidental Gasoline & Oil Sales			
18	493 ..... Rent From Gas Property			
19	494 ..... Interdepartmental Rents			
20	495 ..... Other Gas Revenues			
21	<b>TOTAL Other Operating Revenues</b>	<b>2,867,387</b>	<b>11,055,592</b>	<b>285.56%</b>
22	<b>Total Gas Operating Revenues</b>	<b>2,962,693</b>	<b>11,124,521</b>	<b>275.49%</b>
23				
24	496 (Less) Provision for Rate Refunds			
25				
26	<b>TOTAL Oper. Revs. Net of Pro. for Refunds</b>	<b>2,962,693</b>	<b>11,124,521</b>	<b>275.49%</b>
27				

See accompanying notes to financial statements on Schedule 18A

Page 7



**MONTANA OPERATION & MAINTENANCE EXPENSES**

Year: 2003

Account Number & Title		Last Year	This Year	% Change
1	<b>Production Expenses</b>			
2	Production & Gathering - Operation			
3	750 Operation Supervision & Engineering		563,827	100.00%
4	751 Production Maps & Records			
5	752 Gas Wells Expenses			
6	753 Field Lines Expenses			
7	754 Field Compressor Station Expenses			
8	755 Field Compressor Station Fuel & Power			
9	756 Field Measuring & Regulating Station Expense			
10	757 Purification Expenses			
11	758 Gas Well Royalties			
12	759 Other Expenses		411,394	100.00%
13	760 Rents		391,182	100.00%
14	<b>Total Operation - Natural Gas Production</b>		1,366,403	100.00%
15	Production & Gathering - Maintenance			
16	761 Maintenance Supervision & Engineering			
17	762 Maintenance of Structures & Improvements			
18	763 Maintenance of Producing Gas Wells			
19	764 Maintenance of Field Lines		113,996	100.00%
20	765 Maintenance of Field Compressor Sta. Equip.		660,752	100.00%
21	766 Maintenance of Field Meas. & Reg. Sta. Equip.			
22	767 Maintenance of Purification Equipment			
23	768 Maintenance of Drilling & Cleaning Equip.			
24	769 Maintenance of Other Equipment		16,086	100.00%
25	<b>Total Maintenance- Natural Gas Prod.</b>		790,834	100.00%
26	<b>TOTAL Natural Gas Production &amp; Gathering</b>		2,157,237	100.00%
27	Products Extraction - Operation			
28	770 Operation Supervision & Engineering			
29	771 Operation Labor			
30	772 Gas Shrinkage			
31	773 Fuel			
32	774 Power			
33	775 Materials			
34	776 Operation Supplies & Expenses			
35	777 Gas Processed by Others			
36	778 Royalties on Products Extracted			
37	779 Marketing Expenses			
38	780 Products Purchased for Resale			
39	781 Variation in Products Inventory			
40	782 (Less) Extracted Products Used by Utility - Cr.			
41	783 Rents			
42	<b>Total Operation - Products Extraction</b>			
43	Products Extraction - Maintenance			
44	784 Maintenance Supervision & Engineering			
45	785 Maintenance of Structures & Improvements			
46	786 Maintenance of Extraction & Refining Equip.			
47	787 Maintenance of Pipe Lines			
48	788 Maintenance of Extracted Prod. Storage Equip.			
49	789 Maintenance of Compressor Equipment			
50	790 Maintenance of Gas Meas. & Reg. Equip.			
51	791 Maintenance of Other Equipment			
52	<b>Total Maintenance - Products Extraction</b>			
53	<b>TOTAL Products Extraction</b>			

**MONTANA OPERATION & MAINTENANCE EXPENSES**

Year: 2003

Account Number & Title		Last Year	This Year	% Change
1	<b>Production Expenses - continued</b>			
2				
3	Exploration & Development - Operation			
4	795 Delay Rentals			
5	796 Nonproductive Well Drilling			
6	797 Abandoned Leases			
7	798 Other Exploration			
8	<b>TOTAL Exploration &amp; Development</b>			
9				
10	Other Gas Supply Expenses - Operation			
11	800 Natural Gas Wellhead Purchases			
12	800.1 Nat. Gas Wellhead Purch., Intracomp. Trans.			
13	801 Natural Gas Field Line Purchases	76,140	139,781	83.58%
14	802 Natural Gas Gasoline Plant Outlet Purchases			
15	803 Natural Gas Transmission Line Purchases			
16	804 Natural Gas City Gate Purchases			
17	805 Other Gas Purchases			
18	805.1 Purchased Gas Cost Adjustments			
19	805.2 Incremental Gas Cost Adjustments			
20	806 Exchange Gas			
21	807.1 Well Expenses - Purchased Gas			
22	807.2 Operation of Purch. Gas Measuring Stations			
23	807.3 Maintenance of Purch. Gas Measuring Stations			
24	807.4 Purchased Gas Calculations Expenses			
25	807.5 Other Purchased Gas Expenses			
26	808.1 Gas Withdrawn from Storage -Dr.			
27	808.2 (Less) Gas Delivered to Storage -Cr.			
28	809.2 (Less) Deliveries of Nat. Gas for Processing-Cr.			
29	810 (Less) Gas Used for Compressor Sta. Fuel-Cr.			
30	811 (Less) Gas Used for Products Extraction-Cr.			
31	812 (Less) Gas Used for Other Utility Operations-Cr.			
32	813 Other Gas Supply Expenses			
33	<b>TOTAL Other Gas Supply Expenses</b>	76,140	139,781	83.58%
34				
35	<b>TOTAL PRODUCTION EXPENSES</b>	76,140	139,781	83.58%

**MONTANA OPERATION & MAINTENANCE EXPENSES**

Year: 2003

Account Number & Title		Last Year	This Year	% Change
1	<b>Storage, Terminaling &amp; Processing Expenses</b>			
2				
3	Underground Storage Expenses - Operation			
4	814 Operation Supervision & Engineering			
5	815 Maps & Records			
6	816 Wells Expenses			
7	817 Lines Expenses			
8	818 Compressor Station Expenses			
9	819 Compressor Station Fuel & Power			
10	820 Measuring & Reg. Station Expenses			
11	821 Purification Expenses			
12	822 Exploration & Development			
13	823 Gas Losses			
14	824 Other Expenses			
15	825 Storage Well Royalties			
16	826 Rents			
17	<b>Total Operation - Underground Strg. Exp.</b>			
18				
19	Underground Storage Expenses - Maintenance			
20	830 Maintenance Supervision & Engineering			
21	831 Maintenance of Structures & Improvements			
22	832 Maintenance of Reservoirs & Wells			
23	833 Maintenance of Lines			
24	834 Maintenance of Compressor Station Equip.			
25	835 Maintenance of Meas. & Reg. Sta. Equip.			
26	836 Maintenance of Purification Equipment			
27	837 Maintenance of Other Equipment			
28	<b>Total Maintenance - Underground Storage</b>			
29	<b>TOTAL Underground Storage Expenses</b>			
30				
31	Other Storage Expenses - Operation			
32	840 Operation Supervision & Engineering			
33	841 Operation Labor and Expenses			
34	842 Rents			
35	842.1 Fuel			
36	842.2 Power			
37	842.3 Gas Losses			
38	<b>Total Operation - Other Storage Expenses</b>			
39				
40	Other Storage Expenses - Maintenance			
41	843.1 Maintenance Supervision & Engineering			
42	843.2 Maintenance of Structures & Improvements			
43	843.3 Maintenance of Gas Holders			
44	843.4 Maintenance of Purification Equipment			
45	843.6 Maintenance of Vaporizing Equipment			
46	843.7 Maintenance of Compressor Equipment			
47	843.8 Maintenance of Measuring & Reg. Equipment			
48	843.9 Maintenance of Other Equipment			
49	<b>Total Maintenance - Other Storage Exp.</b>			
50	<b>TOTAL - Other Storage Expenses</b>			
51				
52	<b>TOTAL - STORAGE, TERMINALING &amp; PROC.</b>			

**MONTANA OPERATION & MAINTENANCE EXPENSES**

Year: 2003

Account Number & Title			Last Year	This Year	% Change
1	<b>Transmission Expenses</b>				
2	Operation				
3	850	Operation Supervision & Engineering	307,003	426,280	38.85%
4	851	System Control & Load Dispatching			
5	852	Communications System Expenses			
6	853	Compressor Station Labor & Expenses			
7	854	Gas for Compressor Station Fuel			
8	855	Other Fuel & Power for Compressor Stations			
9	856	Mains Expenses			
10	857	Measuring & Regulating Station Expenses	849,383	708,545	-16.58%
11	858	Transmission & Compression of Gas by Others			
12	859	Other Expenses			
13	860	Rents	64,422	44,250	-31.31%
14	<b>Total Operation - Transmission</b>		1,220,808	1,179,075	-3.42%
15	Maintenance				
16	861	Maintenance Supervision & Engineering			
17	862	Maintenance of Structures & Improvements			
18	863	Maintenance of Mains	38,933	59,245	52.17%
19	864	Maintenance of Compressor Station Equip.	1,011,466	318,451	-68.52%
20	865	Maintenance of Measuring & Reg. Sta. Equip.	34,812		-100.00%
21	866	Maintenance of Communication Equipment			
22	867	Maintenance of Other Equipment			
23	<b>Total Maintenance - Transmission</b>		1,085,211	377,696	-65.20%
24	<b>TOTAL Transmission Expenses</b>		2,306,019	1,556,771	-32.49%
25	<b>Distribution Expenses</b>				
26	Operation				
27	870	Operation Supervision & Engineering			
28	871	Distribution Load Dispatching			
29	872	Compressor Station Labor and Expenses			
30	873	Compressor Station Fuel and Power			
31	874	Mains and Services Expenses			
32	875	Measuring & Reg. Station Exp.-General			
33	876	Measuring & Reg. Station Exp.-Industrial			
34	877	Meas. & Reg. Station Exp.-City Gate Ck. Sta.			
35	878	Meter & House Regulator Expenses			
36	879	Customer Installations Expenses			
37	880	Other Expenses			
38	881	Rents			
39	<b>Total Operation - Distribution</b>				
40	Maintenance				
41	885	Maintenance Supervision & Engineering			
42	886	Maintenance of Structures & Improvements			
43	887	Maintenance of Mains			
44	888	Maint. of Compressor Station Equipment			
45	889	Maint. of Meas. & Reg. Station Exp.-General			
46	890	Maint. of Meas. & Reg. Sta. Exp.-Industrial			
47	891	Maint. of Meas. & Reg. Sta. Equip.-City Gate			
48	892	Maintenance of Services			
49	893	Maintenance of Meters & House Regulators			
50	894	Maintenance of Other Equipment			
51	<b>Total Maintenance - Distribution</b>				
52	<b>TOTAL Distribution Expenses</b>				

**MONTANA OPERATION & MAINTENANCE EXPENSES**

Year: 2003

Account Number & Title		Last Year	This Year	% Change
1				
2	<b>Customer Accounts Expenses</b>			
3	Operation			
4	901 Supervision			
5	902 Meter Reading Expenses			
6	903 Customer Records & Collection Expenses			
7	904 Uncollectible Accounts Expenses			
8	905 Miscellaneous Customer Accounts Expenses			
9				
10	<b>TOTAL Customer Accounts Expenses</b>			
11				
12	<b>Customer Service &amp; Informational Expenses</b>			
13	Operation			
14	907 Supervision			
15	908 Customer Assistance Expenses			
16	909 Informational & Instructional Advertising Exp.			
17	910 Miscellaneous Customer Service & Info. Exp.			
18				
19	<b>TOTAL Customer Service &amp; Info. Expenses</b>			
20				
21	<b>Sales Expenses</b>			
22	Operation			
23	911 Supervision			
24	912 Demonstrating & Selling Expenses			
25	913 Advertising Expenses		349	100.00%
26	916 Miscellaneous Sales Expenses			
27				
28	<b>TOTAL Sales Expenses</b>		349	100.00%
29				
30	<b>Administrative &amp; General Expenses</b>			
31	Operation			
32	920 Administrative & General Salaries			
33	921 Office Supplies & Expenses	83,307	99,201	19.08%
34	922 (Less) Administrative Expenses Transferred - Cr.			
35	923 Outside Services Employed	237,997	475,748	99.90%
36	924 Property Insurance	31,948	156,440	389.67%
37	925 Injuries & Damages			
38	926 Employee Pensions & Benefits			
39	927 Franchise Requirements			
40	928 Regulatory Commission Expenses			
41	929 (Less) Duplicate Charges - Cr.			
42	930.1 General Advertising Expenses	6,933	280	-95.96%
43	930.2 Miscellaneous General Expenses		87	100.00%
44	931 Rents	2,291	4,155	81.36%
45				
46	<b>TOTAL Operation - Admin. &amp; General</b>	362,476	735,911	103.02%
47	Maintenance			
48	935 Maintenance of General Plant			
49				
50	<b>TOTAL Administrative &amp; General Expenses</b>	362,476	735,911	103.02%
51	<b>TOTAL OPERATION &amp; MAINTENANCE EXP.</b>	2,744,635	4,590,049	67.24%

**MONTANA TAXES OTHER THAN INCOME**

Year: 2003

	Description of Tax	Last Year	This Year	% Change
1	Payroll Taxes			
2	Superfund			
3	Secretary of State			
4	Montana Consumer Counsel	2,442	2,703	10.69%
5	Montana PSC	6,736	6,842	1.57%
6	Franchise Taxes			
7	Property Taxes	544,485	906,290	66.45%
8	Tribal Taxes			
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51	<b>TOTAL MT Taxes other than Income</b>	<b>553,663</b>	<b>915,835</b>	<b>65.41%</b>

**PAYMENTS FOR SERVICES TO PERSONS OTHER THAN EMPLOYEES**

Year: 2003

	Name of Recipient	Nature of Service	Total Company	Montana	% Montana
1	None				
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50	<b>TOTAL Payments for Services</b>				

**POLITICAL ACTION COMMITTEES / POLITICAL CONTRIBUTIONS** Year: 2003

	Description	Total Company	Montana	% Montana
1	NONE			
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50	<b>TOTAL Contributions</b>			



## Pension Costs

Year: 2003

1	Plan Name N/A			
2	Defined Benefit Plan? _____		Defined Contribution Plan? _____	
3	Actuarial Cost Method? _____		IRS Code: _____	
4	Annual Contribution by Employer: _____		Is the Plan Over Funded? _____	
5				
	Item	Current Year	Last Year	% Change
6	<b>Change in Benefit Obligation</b>			
7	Benefit obligation at beginning of year			
8	Service cost			
9	Interest Cost			
10	Plan participants' contributions			
11	Amendments			
12	Actuarial Gain			
13	Acquisition			
14	Benefits paid			
15	Benefit obligation at end of year			
16	<b>Change in Plan Assets</b>			
17	Fair value of plan assets at beginning of year			
18	Actual return on plan assets			
19	Acquisition			
20	Employer contribution			
21	Plan participants' contributions			
22	Benefits paid			
23	Fair value of plan assets at end of year			
24	<b>Funded Status</b>			
25	Unrecognized net actuarial loss			
26	Unrecognized prior service cost			
27	Prepaid (accrued) benefit cost			
28				
29	<b>Weighted-average Assumptions as of Year End</b>			
30	Discount rate			
31	Expected return on plan assets			
32	Rate of compensation increase			
33				
34	<b>Components of Net Periodic Benefit Costs</b>			
35	Service cost			
36	Interest cost			
37	Expected return on plan assets			
38	Amortization of prior service cost			
39	Recognized net actuarial loss			
40	Net periodic benefit cost			
41				
42	<b>Montana Intrastate Costs:</b>			
43	Pension Costs			
44	Pension Costs Capitalized			
45	Accumulated Pension Asset (Liability) at Year End			
46	<b>Number of Company Employees:</b>			
47	Covered by the Plan			
48	Not Covered by the Plan			
49	Active			
50	Retired			
51	Deferred Vested Terminated			

## Other Post Employment Benefits (OPEBS)

	Item	Current Year	Last Year	% Change
1	<b>Regulatory Treatment: N/A</b>			
2	Commission authorized - most recent			
3	Docket number: _____			
4	Order number: _____			
5	Amount recovered through rates			
6	<b>Weighted-average Assumptions as of Year End</b>			
7	Discount rate			
8	Expected return on plan assets			
9	Medical Cost Inflation Rate			
10	Actuarial Cost Method			
11	Rate of compensation increase			
12	<b>List each method used to fund OPEBs (ie: VEBA, 401(h)) and if tax advantaged:</b>			
13				
14				
15	<b>Describe any Changes to the Benefit Plan:</b>			
16				
17	<b>TOTAL COMPANY</b>	<b>N/A</b>	<b>N/A</b>	
18	<b>Change in Benefit Obligation</b>			
19	Benefit obligation at beginning of year			
20	Service cost			
21	Interest Cost			
22	Plan participants' contributions			
23	Amendments			
24	Actuarial Gain			
25	Acquisition			
26	Benefits paid			
27	Benefit obligation at end of year			
28	<b>Change in Plan Assets</b>			
29	Fair value of plan assets at beginning of year			
30	Actual return on plan assets			
31	Acquisition			
32	Employer contribution			
33	Plan participants' contributions			
34	Benefits paid			
35	Fair value of plan assets at end of year			
36	<b>Funded Status</b>			
37	Unrecognized net actuarial loss			
38	Unrecognized prior service cost			
39	Prepaid (accrued) benefit cost			
40	<b>Components of Net Periodic Benefit Costs</b>			
41	Service cost			
42	Interest cost			
43	Expected return on plan assets			
44	Amortization of prior service cost			
45	Recognized net actuarial loss			
46	Net periodic benefit cost			
47	<b>Accumulated Post Retirement Benefit Obligation</b>			
48	Amount Funded through VEBA			
49	Amount Funded through 401(h)			
50	Amount Funded through Other _____			
51	TOTAL			
52	Amount that was tax deductible - VEBA			
53	Amount that was tax deductible - 401(h)			
54	Amount that was tax deductible - Other _____			
55	TOTAL			

**Other Post Employment Benefits (OPEBS) Continued**

	Item	Current Year	Last Year	% Change
1	<b>Number of Company Employees:</b>			
2	Covered by the Plan			
3	Not Covered by the Plan			
4	Active			
5	Retired			
6	Spouses/Dependants covered by the Plan			
7	<b>Montana</b>	<b>N/A</b>	<b>N/A</b>	
8	<b>Change in Benefit Obligation</b>			
9	Benefit obligation at beginning of year			
10	Service cost			
11	Interest Cost			
12	Plan participants' contributions			
13	Amendments			
14	Actuarial Gain			
15	Acquisition			
16	Benefits paid			
17	Benefit obligation at end of year			
18	<b>Change in Plan Assets</b>			
19	Fair value of plan assets at beginning of year			
20	Actual return on plan assets			
21	Acquisition			
22	Employer contribution			
23	Plan participants' contributions			
24	Benefits paid			
25	Fair value of plan assets at end of year			
26	<b>Funded Status</b>			
27	Unrecognized net actuarial loss			
28	Unrecognized prior service cost			
29	Prepaid (accrued) benefit cost			
30	<b>Components of Net Periodic Benefit Costs</b>			
31	Service cost			
32	Interest cost			
33	Expected return on plan assets			
34	Amortization of prior service cost			
35	Recognized net actuarial loss			
36	Net periodic benefit cost			
37	<b>Accumulated Post Retirement Benefit Obligation</b>			
38	Amount Funded through VEBA			
39	Amount Funded through 401(h)			
40	Amount Funded through other _____			
41	TOTAL			
42	Amount that was tax deductible - VEBA			
43	Amount that was tax deductible - 401(h)			
44	Amount that was tax deductible - Other			
45	TOTAL			
46	<b>Montana Intrastate Costs:</b>			
47	Pension Costs			
48	Pension Costs Capitalized			
49	Accumulated Pension Asset (Liability) at Year End			
50	<b>Number of Montana Employees:</b>			
51	Covered by the Plan			
52	Not Covered by the Plan			
53	Active			
54	Retired			
55	Spouses/Dependants covered by the Plan			

**TOP TEN MONTANA COMPENSATED EMPLOYEES (ASSIGNED OR ALLOCATED)**

Line No.	Name/Title	Base Salary	Bonuses	Other	Total Compensation	Total Compensation Last Year	% Increase Total Compensation
1	N/A						
2							
3							
4							
5							
6							
7							
8							
9							
10							

## COMPENSATION OF TOP 5 CORPORATE EMPLOYEES - SEC INFORMATION

Line No.	Name/Title	Base Salary	Bonuses	Other	Total Compensation	Total Compensation Last Year	% Increase Total Compensation
1	N/A						
2							
3							
4							
5							

**BALANCE SHEET**

Year: 2003

	Account Number & Title	Last Year	This Year	% Change
1	<b>Assets and Other Debits</b>			
2	Utility Plant			
3	101 Gas Plant in Service	20,413,539	38,878,344	90%
4	101.1 Property Under Capital Leases	1,007,258	1,007,258	
5	102 Gas Plant Purchased or Sold			
6	104 Gas Plant Leased to Others			
7	105 Gas Plant Held for Future Use			
8	105.1 Production Properties Held for Future Use			
9	106 Completed Constr. Not Classified - Gas			
10	107 Construction Work in Progress - Gas		332	100%
11	108 (Less) Accumulated Depreciation	(5,040,738)	(17,645,457)	250%
12	111 (Less) Accumulated Amortization & Depletion	(71,842)	(208,857)	191%
13	114 Gas Plant Acquisition Adjustments			
14	115 (Less) Accum. Amort. Gas Plant Acq. Adj.			
15	116 Other Gas Plant Adjustments			
16	117 Gas Stored Underground - Noncurrent			
17	118 Other Utility Plant			
18	119 Accum. Depr. and Amort. - Other Util. Plant			
19	<b>TOTAL Utility Plant</b>	16,308,217	22,031,620	35%
20	<b>Other Property &amp; Investments</b>			
21	121 Nonutility Property			
22	122 (Less) Accum. Depr. & Amort. of Nonutil. Prop.	(25,838)	(292,850)	1033%
23	123 Investments in Associated Companies			
24	123.1 Investments in Subsidiary Companies			
25	124 Other Investments			
26	125 Sinking Funds			
27	<b>TOTAL Other Property &amp; Investments</b>	(25,838)	(292,850)	1033%
28	<b>Current &amp; Accrued Assets</b>			
29	131 Cash	(17,978,863)	1,054,678	N/A
30	132-134 Special Deposits			
31	135 Working Funds			
32	136 Temporary Cash Investments			
33	141 Notes Receivable			
34	142 Customer Accounts Receivable	414,432	1,178,320	184%
35	143 Other Accounts Receivable	195,240	58,553	-70%
36	144 (Less) Accum. Provision for Uncollectible Accts.		(20,971)	N/A
37	145 Notes Receivable - Associated Companies			
38	146 Accounts Receivable - Associated Companies		484,507	100%
39	151 Fuel Stock			
40	152 Fuel Stock Expenses Undistributed			
41	153 Residuals and Extracted Products			
42	154 Plant Materials and Operating Supplies	896,258	1,361,669	52%
43	155 Merchandise			
44	156 Other Material & Supplies			
45	163 Stores Expense Undistributed			
46	164.1 Gas Stored Underground - Current			
47	165 Prepayments	25,964		-100%
48	166 Advances for Gas Explor., Devl. & Production			
49	171 Interest & Dividends Receivable			
50	172 Rents Receivable			
51	173 Accrued Utility Revenues			
52	174 Miscellaneous Current & Accrued Assets			
53	<b>TOTAL Current &amp; Accrued Assets</b>	(16,446,969)	4,116,756	N/A

## BALANCE SHEET

Year: 2003

	Account Number & Title	Last Year	This Year	% Change
1	<b>Assets and Other Debits (cont.)</b>			
2				
3	<b>Deferred Debits</b>			
4				
5	181 Unamortized Debt Expense	69,380	177,759	156%
6	182.1 Extraordinary Property Losses			
7	182.2 Unrecovered Plant & Regulatory Study Costs			
8	183.1 Prelim. Nat. Gas Survey & Investigation Chrg.			
9	183.2 Other Prelim. Nat. Gas Survey & Invtg. Chrgs.			
10	184 Clearing Accounts			
11	185 Temporary Facilities			
12	186 Miscellaneous Deferred Debits		371,810	100%
13	187 Deferred Losses from Disposition of Util. Plant			
14	188 Research, Devel. & Demonstration Expend.			
15	189 Unamortized Loss on Reacquired Debt			
16	190 Accumulated Deferred Income Taxes			
17	191 Unrecovered Purchased Gas Costs			
18	192.1 Unrecovered Incremental Gas Costs			
19	192.2 Unrecovered Incremental Surcharges			
20	<b>TOTAL Deferred Debits</b>	69,380	549,569	692%
21				
22	<b>TOTAL ASSETS &amp; OTHER DEBITS</b>	(95,210)	26,405,095	N/A
	Account Number & Title	Last Year	This Year	% Change
23	<b>Liabilities and Other Credits</b>			
24				
25	<b>Proprietary Capital</b>			
26	218 Noncorp. Proprietorship (LLC member contr)	7,341,784	12,380,748	69%
27	201 Common Stock Issued			
28	202 Common Stock Subscribed			
29	204 Preferred Stock Issued			
30	205 Preferred Stock Subscribed			
31	207 Premium on Capital Stock			
32	211 Miscellaneous Paid-In Capital			
33	213 (Less) Discount on Capital Stock			
34	214 (Less) Capital Stock Expense			
35	215 Appropriated Retained Earnings			
36	216 Unappropriated Retained Earnings	(13,946,225)	(885,988)	1474%
37	217 (Less) Reacquired Capital Stock			
38	<b>TOTAL Proprietary Capital</b>	(6,604,441)	11,494,760	N/A
39				
40	<b>Long Term Debt</b>			
41				
42	221 Bonds			
43	222 (Less) Reacquired Bonds			
44	223 Advances from Associated Companies			
45	224 Other Long Term Debt	4,217,673	6,436,747	53%
46	225 Unamortized Premium on Long Term Debt			
47	226 (Less) Unamort. Discount on L-Term Debt-Dr.			
48	<b>TOTAL Long Term Debt</b>	4,217,673	6,436,747	53%

## BALANCE SHEET

Year: 2003

	Account Number & Title	Last Year	This Year	% Change
1				
2	<b>Total Liabilities and Other Credits (cont.)</b>			
3				
4	<b>Other Noncurrent Liabilities</b>			
5				
6	227 Obligations Under Cap. Leases - Noncurrent	516,901	568,031	10%
7	228.1 Accumulated Provision for Property Insurance			
8	228.2 Accumulated Provision for Injuries & Damages			
9	228.3 Accumulated Provision for Pensions & Benefits			
10	228.4 Accumulated Misc. Operating Provisions			
11	229 Accumulated Provision for Rate Refunds			
12	<b>TOTAL Other Noncurrent Liabilities</b>	516,901	568,031	10%
13				
14	<b>Current &amp; Accrued Liabilities</b>			
15				
16	231 Notes Payable	818,236	2,427,248	197%
17	232 Accounts Payable	54,848	666,883	1116%
18	233 Notes Payable to Associated Companies			
19	234 Accounts Payable to Associated Companies	211,336		-100%
20	235 Customer Deposits			
21	236 Taxes Accrued	274,757	456,243	66%
22	237 Interest Accrued	8,160	9,677	19%
23	238 Dividends Declared			
24	239 Matured Long Term Debt			
25	240 Matured Interest			
26	241 Tax Collections Payable			
27	242 Miscellaneous Current & Accrued Liabilities	211,910	3,934,067	1756%
28	243 Obligations Under Capital Leases - Current	195,410	411,439	111%
29	<b>TOTAL Current &amp; Accrued Liabilities</b>	1,774,657	7,905,557	345%
30				
31	<b>Deferred Credits</b>			
32				
33	252 Customer Advances for Construction			
34	253 Other Deferred Credits			
35	255 Accumulated Deferred Investment Tax Credits			
36	256 Deferred Gains from Disposition Of Util. Plant			
37	257 Unamortized Gain on Reacquired Debt			
38	281-283 Accumulated Deferred Income Taxes			
39	<b>TOTAL Deferred Credits</b>			
40				
41	<b>TOTAL LIABILITIES &amp; OTHER CREDITS</b>	(95,210)	26,405,095	N/A

See accompanying notes to financial statements on Schedule 18A



Havre Pipeline, LLC was acquired by Devon Energy Corporation through its merger with Ocean Energy in April of 2003. Havre Pipeline, LLC is an intrastate pipeline with both gathering and transmission facilities located entirely in the state of Montana. The transmission rates filed for by Havre Pipeline, LLC are under the jurisdiction of the Montana Public Service Commission. Previous to this year, schedules in this filing were completed on a jurisdictional basis, using allocations when deemed necessary, even though all facilities including the non-jurisdictional gathering assets were in the state of Montana. It is Devon Energy's interpretation of the general instructions pertaining to its completion of the 2003 report that since all assets of the pipeline are in Montana, all current and future schedules, starting with 2003 data, will be filled out with information on a total company basis.

## MONTANA PLANT IN SERVICE (ASSIGNED &amp; ALLOCATED)

Year: 2003

	Account Number & Title	Last Year	This Year	% Change
1	<b>Intangible Plant</b>			
2				
3	301 Organization	145,117	371,810	156%
4	302 Franchises & Consents			
5	303 Miscellaneous Intangible Plant			
6				
7	<b>TOTAL Intangible Plant</b>	145,117	371,810	156%
8				
9	<b>Production Plant</b>			
10				
11	Production & Gathering Plant			
12				
13	325.1 Producing Lands			
14	325.2 Producing Leaseholds			
15	325.3 Gas Rights			
16	325.4 Rights-of-Way		301,028	100%
17	325.5 Other Land & Land Rights			
18	326 Gas Well Structures			
19	327 Field Compressor Station Structures			
20	328 Field Meas. & Reg. Station Structures			
21	329 Other Structures		5,548	100%
22	330 Producing Gas Wells-Well Construction			
23	331 Producing Gas Wells-Well Equipment			
24	332 Field Lines		11,710,440	100%
25	333 Field Compressor Station Equipment		2,855,214	100%
26	334 Field Meas. & Reg. Station Equipment		1,510,906	100%
27	335 Drilling & Cleaning Equipment			
28	336 Purification Equipment		236,974	100%
29	337 Other Equipment		93,143	100%
30	338 Unsuccessful Exploration & Dev. Costs			
31				
32	<b>Total Production &amp; Gathering Plant</b>		16,713,253	100%
33				
34	Products Extraction Plant			
35				
36	340 Land & Land Rights			
37	341 Structures & Improvements			
38	342 Extraction & Refining Equipment			
39	343 Pipe Lines			
40	344 Extracted Products Storage Equipment			
41	345 Compressor Equipment			
42	346 Gas Measuring & Regulating Equipment			
43	347 Other Equipment			
44				
45	<b>Total Products Extraction Plant</b>			
46				
47	<b>TOTAL Production Plant</b>		16,713,253	100%

## MONTANA PLANT IN SERVICE (ASSIGNED &amp; ALLOCATED)

Year: 2003

	Account Number & Title	Last Year	This Year	% Change
1				
2	<b>Natural Gas Storage and Processing Plant</b>			
3				
4	Underground Storage Plant			
5				
6	350.1 Land			
7	350.2 Rights-of-Way			
8	351 Structures & Improvements			
9	352 Wells			
10	352.1 Storage Leaseholds & Rights			
11	352.2 Reservoirs			
12	352.3 Non-Recoverable Natural Gas			
13	353 Lines			
14	354 Compressor Station Equipment			
15	355 Measuring & Regulating Equipment			
16	356 Purification Equipment			
17	357 Other Equipment			
18				
19	<b>Total Underground Storage Plant</b>			
20				
21	Other Storage Plant			
22				
23	360 Land & Land Rights			
24	361 Structures & Improvements			
25	362 Gas Holders			
26	363 Purification Equipment			
27	363.1 Liquification Equipment			
28	363.2 Vaporizing Equipment			
29	363.3 Compressor Equipment			
30	363.4 Measuring & Regulating Equipment			
31	363.5 Other Equipment			
32				
33	<b>Total Other Storage Plant</b>			
34				
35	<b>TOTAL Natural Gas Storage and Processing Plant</b>			
36				
37	<b>Transmission Plant</b>			
38				
39	365.1 Land & Land Rights	45,916		-100%
40	365.2 Rights-of-Way	77,986	123,902	59%
41	366 Structures & Improvements	1,379,261	24,371	-98%
42	367 Mains	4,103,071	2,638,275	-36%
43	368 Compressor Station Equipment	13,750,634	15,022,117	9%
44	369 Measuring & Reg. Station Equipment	1,387,916	1,488,581	7%
45	370 Communication Equipment	59,154	95,578	62%
46	371 Other Equipment	181,157	181,157	
47				
48	<b>TOTAL Transmission Plant</b>	20,985,095	19,573,981	-7%

## MONTANA PLANT IN SERVICE (ASSIGNED &amp; ALLOCATED)

Year: 2003

	Account Number & Title	Last Year	This Year	% Change
1				
2	<b>Distribution Plant</b>			
3				
4	374 Land & Land Rights			
5	375 Structures & Improvements			
6	376 Mains			
7	377 Compressor Station Equipment			
8	378 Meas. & Reg. Station Equipment-General			
9	379 Meas. & Reg. Station Equipment-City Gate			
10	380 Services			
11	381 Meters			
12	382 Meter Installations			
13	383 House Regulators			
14	384 House Regulator Installations			
15	385 Industrial Meas. & Reg. Station Equipment			
16	386 Other Prop. on Customers' Premises			
17	387 Other Equipment			
18				
19	<b>TOTAL Distribution Plant</b>			
20				
21	<b>General Plant</b>			
22				
23	389 Land & Land Rights			
24	390 Structures & Improvements	9,476	16,991	79%
25	391 Office Furniture & Equipment	51,597	92,518	79%
26	392 Transportation Equipment	225,009	403,459	79%
27	393 Stores Equipment			
28	394 Tools, Shop & Garage Equipment	4,297	27,980	551%
29	395 Laboratory Equipment			
30	396 Power Operated Equipment	11,307		-100%
31	397 Communication Equipment	13,785	15,766	14%
32	398 Miscellaneous Equipment		12,173	100%
33	399 Other Tangible Property	8,688	22,261	156%
34				
35	<b>TOTAL General Plant</b>	324,159	591,148	82%
36				
37	<b>TOTAL Gas Plant in Service</b>	21,454,371	37,250,192	74%

**MONTANA DEPRECIATION SUMMARY**

Year: 2003

	Functional Plant Classification	Plant Cost	Accumulated Depreciation		Current Avg. Rate
			Last Year Bal.	This Year Bal.	
1	Production & Gathering			12,823,054	
2	Products Extraction				
3	Underground Storage				
4	Other Storage				
5	Transmission		4,753,114	4,454,150	
6	Distribution				
7	General		287,624	577,110	
8	<b>TOTAL</b>		5,040,738	17,854,314	

**MONTANA MATERIALS & SUPPLIES (ASSIGNED & ALLOCATED)**

SCHEDULE 21

	Account	Last Year Bal.	This Year Bal.	%Change
1				
2	151 Fuel Stock			
3	152 Fuel Stock Expenses - Undistributed			
4	153 Residuals & Extracted Products			
5	154 Plant Materials & Operating Supplies:			
6	Assigned to Construction (Estimated)			
7	Assigned to Operations & Maintenance			
8	Production Plant (Estimated)			
9	Transmission Plant (Estimated)	896,258	1,361,669	52%
10	Distribution Plant (Estimated)			
11	Assigned to Other			
12	155 Merchandise			
13	156 Other Materials & Supplies			
14	163 Stores Expense Undistributed			
15				
16	<b>TOTAL Materials &amp; Supplies</b>	896,258	1,361,669	52%

**MONTANA REGULATORY CAPITAL STRUCTURE & COSTS**

SCHEDULE 22

	Commission Accepted - Most Recent	% Cap. Str.	% Cost Rate	Weighted Cost
1	Docket Number D95.9.136			
2	Order Number			
3				
4	Common Equity			
5	Preferred Stock			
6	Long Term Debt	50.00%	9.00%	4.50%
7	Other	50.00%	12.00%	6.00%
8	<b>TOTAL</b>	100.00%		10.50%
9				
10	Actual at Year End			
11				
12	Common Equity			
13	Preferred Stock			
14	Long Term Debt	60.00%	3.43%	2.06%
15	Other	40.00%	4.69%	1.88%
16	<b>TOTAL</b>	100.00%		3.93%

## STATEMENT OF CASH FLOWS

Year: 2003

	Description	Last Year	This Year	% Change
1				
2	Increase/(decrease) in Cash & Cash Equivalents:			
3				
4	<b>Cash Flows from Operating Activities:</b>			
5	Net Income	(994,000)	370,000	137%
6	Depreciation	3,019,000	3,318,000	10%
7	Amortization			
8	Deferred Income Taxes - Net			
9	Investment Tax Credit Adjustments - Net			
10	Change in Operating Receivables - Net	70,000	20,000	-71%
11	Change in Materials, Supplies & Inventories - Net	2,000	(466,000)	-23400%
12	Change in Operating Payables & Accrued Liabilities - Net	(672,000)	(228,000)	-66%
13	Allowance for Funds Used During Construction (AFUDC)			
14	Change in Other Assets & Liabilities - Net	125,000	36,000	-71%
15	Other Operating Activities (explained on attached page)		1,468,000	100%
16	<b>Net Cash Provided by/(Used in) Operating Activities</b>	<b>1,550,000</b>	<b>4,518,000</b>	<b>191%</b>
17				
18	<b>Cash Inflows/Outflows From Investment Activities:</b>			
19	Construction/Acquisition of Property, Plant and Equipment	(280,000)	(128,000)	54%
20	(net of AFUDC & Capital Lease Related Acquisitions)			
21	Acquisition of Other Noncurrent Assets			
22	Proceeds from Disposal of Noncurrent Assets			
23	Investments In and Advances to Affiliates			
24	Contributions and Advances from Affiliates			
25	Disposition of Investments in and Advances to Affiliates			
26	Other Investing Activities (explained on attached page)			
27	<b>Net Cash Provided by/(Used in) Investing Activities</b>	<b>(280,000)</b>	<b>(128,000)</b>	<b>54%</b>
28				
29	<b>Cash Flows from Financing Activities:</b>			
30	Proceeds from Issuance of:			
31	Long-Term Debt	900,000		-100%
32	Preferred Stock			
33	Common Stock			
34	Other:	1,000,000		-100%
35	Net Increase in Short-Term Debt			
36	Other:			
37	Payment for Retirement of:			
38	Long-Term Debt	(3,171,000)	(3,083,000)	3%
39	Preferred Stock			
40	Common Stock			
41	Other:	(600,000)	(635,000)	-6%
42	Net Decrease in Short-Term Debt			
43	Dividends on Preferred Stock			
44	Dividends on Common Stock			
45	Other Financing Activities (explained on attached page)			
46	<b>Net Cash Provided by (Used in) Financing Activities</b>	<b>(1,871,000)</b>	<b>(3,718,000)</b>	<b>50%</b>
47				
48	<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>	<b>(601,000)</b>	<b>672,000</b>	<b>212%</b>
49	<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>984,000</b>	<b>383,000</b>	<b>-61%</b>
50	<b>Cash and Cash Equivalents at End of Year</b>	<b>383,000</b>	<b>1,055,000</b>	<b>175%</b>

LONG TERM DEBT

Year: 2003

	Description	Issue Date Mo./Yr.	Maturity Date Mo./Yr.	Principal Amount	Net Proceeds	Outstanding Per Balance Sheet	Yield to Maturity	Annual Net Cost Inc. Prem/Disc.	Total Cost %
1	Term Loan	Jan-99	Dec-08	13,227,415	12,952,415	8,863,995	variable	267,614	3.02%
2									
3									
4									
5									
6									
7									
8									
9									
10									
11									
12									
13									
14									
15									
16									
17									
18									
19									
20									
21									
22									
23									
24									
25									
26									
27									
28									
29									
30									
31									
32	TOTAL			13,227,415	12,952,415	8,863,995		267,614	3.02%

PREFERRED STOCK

Year: 2003

	Series	Issue Date Mo./Yr.	Shares Issued	Par Value	Call Price	Net Proceeds	Cost of Money	Principal Outstanding	Annual Cost	Embed. Cost %
1	NONE									
2										
3										
4										
5										
6										
7										
8										
9										
10										
11										
12										
13										
14										
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19										
20										
21										
22										
23										
24										
25										
26										
27										
28										
29										
30										
31										
32	TOTAL									



COMMON STOCK

Year: 2003

		Avg. Number of Shares Outstanding	Book Value Per Share	Earnings Per Share	Dividends Per Share	Retention Ratio	Market Price High	Market Price Low	Price/ Earnings Ratio
		NONE							
1									
2									
3									
4	January								
5									
6	February								
7									
8	March								
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10	April								
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12	May								
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14	June								
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16	July								
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18	August								
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22	October								
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24	November								
25									
26	December								
27									
28									
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30									
31									
32	TOTAL Year End								

## MONTANA EARNED RATE OF RETURN

Year: 2003

	Description	Last Year	This Year	% Change
	Rate Base			
1				
2	101 Plant in Service	21,420,797	21,093,807	-1.53%
3	108 (Less) Accumulated Depreciation	(5,112,580)	(4,454,150)	12.88%
4	<b>NET Plant in Service</b>	<b>16,308,217</b>	<b>16,639,657</b>	<b>2.03%</b>
5				
6	Additions			
7	154, 156 Materials & Supplies	896,258	1,361,669	51.93%
8	165 Prepayments			
9	Other Additions			
10	<b>TOTAL Additions</b>	<b>896,258</b>	<b>1,361,669</b>	<b>51.93%</b>
11				
12	Deductions			
13	190 Accumulated Deferred Income Taxes			
14	252 Customer Advances for Construction			
15	255 Accumulated Def. Investment Tax Credits			
16	Other Deductions			
17	<b>TOTAL Deductions</b>			
18	<b>TOTAL Rate Base</b>	<b>17,204,475</b>	<b>18,001,326</b>	<b>4.63%</b>
19				
20	<b>Net Earnings</b>	<b>(744,467)</b>	<b>(148,080)</b>	<b>80.11%</b>
21				
22	<b>Rate of Return on Average Rate Base</b>	<b>-4.330%</b>	<b>-0.823%</b>	<b>80.99%</b>
23				
24	<b>Rate of Return on Average Equity</b>	<b>-11.400%</b>		<b>100.00%</b>
25				
26	Major Normalizing Adjustments & Commission			
27	Ratemaking adjustments to Utility Operations			
28				
29				
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42				
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44				
45				
46				
47	<b>Adjusted Rate of Return on Average Rate Base</b>			
48				
49	<b>Adjusted Rate of Return on Average Equity</b>			

## MONTANA COMPOSITE STATISTICS

Year: 2003

	Description	Amount
1		
2	Plant (Intrastate Only) (000 Omitted)	
3		
4	101 ..... Plant in Service	39,886
5	107 ..... Construction Work in Progress	
6	114 ..... Plant Acquisition Adjustments	
7	105 ..... Plant Held for Future Use	
8	154, 156 ..... Materials & Supplies	1,362
9	(Less):	
10	108, 111 ..... Depreciation & Amortization Reserves	(17,854)
11	252 ..... Contributions in Aid of Construction	
12		
13	<b>NET BOOK COSTS</b>	<b>23,394</b>
14		
15	Revenues & Expenses (000 Omitted)	
16		
17	400 ..... Operating Revenues	11,125
18		
19	403 - 407 ..... Depreciation & Amortization Expenses	3,318
20	..... Federal & State Income Taxes	
21	..... Other Taxes	916
22	..... Other Operating Expenses	4,590
23	..... TOTAL Operating Expenses	8,824
24		
25	..... Net Operating Income	2,301
26	..... Asset Retirement Obligation	(1,434)
27	415 - 421.1 ..... Other Income	7
28	421.2 - 427 ..... Other Deductions	(504)
29		
30	<b>NET INCOME</b>	<b>370</b>
31		
32	Customers (Intrastate Only)	
33		
34	..... Year End Average:	
35	..... Residential	
36	..... Commercial	130
37	..... Industrial	
38	..... Other	9
39		
40	<b>TOTAL NUMBER OF CUSTOMERS</b>	<b>139</b>
41		
42	Other Statistics (Intrastate Only)	
43		
44	..... Average Annual Residential Use (Mcf or Dkt)	
45	..... Average Annual Residential Cost per (Mcf or Dkt) (\$) *	
46	* Avg annual cost = [(cost per Mcf or Dkt x annual use) +	
	( mo. svc chrg x 12)]/annual use	
47	..... Average Residential Monthly Bill	
48	..... Gross Plant per Customer	

MONTANA CUSTOMER INFORMATION

Year: 2003

	City/Town	Population (Include Rural)	Residential Customers	Commercial Customers	Industrial & Other Customers	Total Customers
1	Blaine, Chouteau and Hill Counties Farmstead Customers	28,833		130	5	135
2						
3						
4						
5	Blaine, Chouteau and Hill Counties Gas Transmission Customers	28,833			4	4
6						
7						
8						
9						
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31						
32	TOTAL Montana Customers	57,666		130	9	139

MONTANA EMPLOYEE COUNTS

Year: 2003

	Department	Year Beginning	Year End	Average
1	NONE			
2				
3				
4				
5				
6				
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49				
50	TOTAL Montana Employees			

**MONTANA CONSTRUCTION BUDGET (ASSIGNED & ALLOCATED)**

Year: 2004

	Project Description	Total Company	Total Montana
1	Blaine County No. 1 - Connection of Bowes Compressor	168,650	168,650
2	Blaine County No. 1 - KVR cooler fan upgrades	40,000	40,000
3	Blaine County No. 1 - Maintence tool (high torque wrench)	12,000	12,000
4			
5	Blaine County No. 5 - Downsizing and pay off of construction loan	202,800	202,800
6			
7	Hill County No. 1 - Instrument air dryer	25,000	25,000
8			
9	Exixting capital lease commitments (compressors)	300,200	300,200
10			
11			
12			
13			
14			
15			
16			
17			
18			
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49			
50	<b>TOTAL</b>	<b>748,650</b>	<b>748,650</b>

## TRANSMISSION SYSTEM - TOTAL COMPANY &amp; MONTANA

Year: 2003

Total Company				
		Peak Day of Month	Peak Day Volumes Mcf or Dkt	Total Monthly Volumes Mcf or Dkt
1	January	1/8/2003	61,483	1,779,496
2	February	2/12/2003	61,575	1,760,217
3	March	3/23/2003	64,091	1,911,764
4	April	4/16/2003	68,336	2,061,117
5	May	5/18/2003	61,805	1,886,142
6	June	6/17/2003	62,328	1,844,758
7	July	7/3/2003	62,583	1,867,173
8	August	8/5/2003	62,406	1,981,665
9	September	9/2/2003	61,976	1,905,400
10	October	10/25/2003	62,709	1,964,419
11	November	11/2/2003	62,419	1,742,449
12	December	12/3/2003	63,411	1,922,581
13	<b>TOTAL</b>			22,627,181

Montana				
		Peak Day of Month	Peak Day Volumes Mcf or Dkt	Total Monthly Volumes Mcf or Dkt
14	January	1/8/2003	61,483	1,779,496
15	February	2/12/2003	61,575	1,760,217
16	March	3/23/2003	64,091	1,911,764
17	April	4/16/2003	68,336	2,061,117
18	May	5/18/2003	61,805	1,886,142
19	June	6/17/2003	62,328	1,844,758
20	July	7/3/2003	62,583	1,867,173
21	August	8/5/2003	62,406	1,981,665
22	September	9/2/2003	61,976	1,905,400
23	October	10/25/2003	62,709	1,964,419
24	November	11/2/2003	62,419	1,742,449
25	December	12/3/2003	63,411	1,922,581
26	<b>TOTAL</b>			22,627,181

## DISTRIBUTION SYSTEM - TOTAL COMPANY &amp; MONTANA

Year: 2003

	Total Company			
		Peak Day of Month	Peak Day Volumes Mcf or Dkt	Total Monthly Volumes Mcf or Dkt
1	January	NONE		
2	February			
3	March			
4	April			
5	May			
6	June			
7	July			
8	August			
9	September			
10	October			
11	November			
12	December			
13	<b>TOTAL</b>			

	Montana			
		Peak Day of Month	Peak Day Volumes Mcf or Dkt	Total Monthly Volumes Mcf or Dkt
14	January	NONE		
15	February			
16	March			
17	April			
18	May			
19	June			
20	July			
21	August			
22	September			
23	October			
24	November			
25	December			
26	<b>TOTAL</b>			



Year: 2003

## STORAGE SYSTEM - TOTAL COMPANY &amp; MONTANA

	Total Company						
	Peak Day of Month		Peak Day Volumes (Mcf or Dkt)		Total Monthly Volumes (Mcf or Dkt)		
	Injection	Withdrawal	Injection	Withdrawal	Injection	Withdrawal	Losses
	NONE						
1	January						
2	February						
3	March						
4	April						
5	May						
6	June						
7	July						
8	August						
9	September						
10	October						
11	November						
12	December						
13	TOTAL						

SOURCES OF GAS SUPPLY

Year: 2003

	Name of Supplier	Last Year Volumes Mcf or Dkt	This Year Volumes Mcf or Dkt	Last Year Avg. Commodity Cost	This Year Avg. Commodity Cost
1	Big Sky Gas Marketing	46,954	33,024	\$1.6216	\$4.2327
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					
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29					
30					
31					
32					
33	Total Gas Supply Volumes	46,954	33,024	\$1.6216	\$4.2327

MONTANA CONSERVATION & DEMAND SIDE MANAGEMENT PROGRAMS

Year: 2003

	Program Description	Current Year Expenditures	Last Year Expenditures	% Change	Planned Savings (Mcf or Dkt)	Achieved Savings (Mcf or Dkt)	Difference
1	NONE						
2							
3							
4							
5							
6							
7							
8							
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30							
31							
32	TOTAL						

## MONTANA CONSUMPTION AND REVENUES

Year: 2003

	Sales of Gas	Operating Revenues		MCF Sold		Avg. No. of Customers	
		Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
1	Residential	\$64,096	\$87,502	31,290	43,109	125	125
2	Commercial - Small						
3	Commercial - Large						
4	Industrial - Small						
5	Industrial - Large						
6	Interruptible Industrial	4,833	7,804	2,360	3,845	5	5
7	Other Sales to Public Authorities						
8	Sales to Other Utilities						
9	Interdepartmental						
10							
11	<b>TOTAL</b>	\$68,929	\$95,306	33,650	46,954	130	130
12							
13							
14							
15	<b>Transportation of Gas</b>	Operating Revenues		BCF Transported		Avg. No. of Customers	
16		2,927,118	2,867,387		22	4	4
17							
18							
19	Utilities Industrial Other	\$2,927,118	\$2,867,387	23	22	4	4
20							
21							
22							
23							
24	<b>TOTAL</b>	\$2,927,118	\$2,867,387	23	22	4	4



**HAVRE PIPELINE COMPANY, L.L.C.**

Financial Statements

December 31, 2003 and 2002

(With Independent Auditors' Report Thereon)

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KPMG LLP  
700 Oklahoma Tower  
210 Park Avenue  
Oklahoma City, OK 73102-5671

## Independent Auditors' Report

The Members  
Havre Pipeline Company, L.L.C.:

We have audited the accompanying balance sheets of Havre Pipeline Company, L.L.C. as of December 31, 2003 and 2002, and the related statements of operations, members' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Havre Pipeline Company, L.L.C. as of December 31, 2003 and 2002, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

March 26, 2004



KPMG LLP, a U.S. limited liability partnership, is the U.S. member firm of KPMG International, a Swiss cooperative.

# HAVRE PIPELINE COMPANY, L.L.C.

## Balance Sheets

December 31, 2003 and 2002

(Amounts in thousands)

Assets	2003	2002
Current assets:		
Cash and cash equivalents	\$ 1,055	383
Accounts receivable:		
Trade (net of allowance of \$21 and \$55 at December 31, 2003 and 2002, respectively)	291	311
Related parties	1,384	814
Pipeline imbalance	25	130
Inventory	1,362	896
Prepaid expenses and other	—	36
Total current assets	4,117	2,570
Property and equipment, net	22,009	23,493
Other assets, net	279	322
Total assets	\$ 26,405	26,385
<b>Liabilities and Members' Equity</b>		
Current liabilities:		
Accounts payable:		
Trade	\$ 502	199
Related parties	163	84
Pipeline imbalance	25	130
Accrued liabilities	722	508
Current portion:		
Long-term debt	2,427	2,241
Obligations under capital leases	411	607
Total current liabilities	4,250	3,769
Asset retirement obligation	3,655	—
Long-term debt	6,437	9,706
Obligations under capital leases	568	1,785
Commitments and contingencies (note 7)		
Members' equity	11,495	11,125
Total liabilities and members' equity	\$ 26,405	26,385

See accompanying notes to financial statements.

# HAVRE PIPELINE COMPANY, L.L.C.

## Statements of Operations

Years ended December 31, 2003 and 2002

(Amounts in thousands)

	<u>2003</u>	<u>2002</u>
Revenues:		
Gathering	\$ 8,129	5,339
Transmission	2,927	2,868
Other	69	95
Total revenues	<u>11,125</u>	<u>8,302</u>
Costs and expenses:		
Operations and maintenance	3,880	3,998
Depreciation and amortization	3,318	3,019
Property taxes	916	981
General and administrative	710	604
Total costs and expenses	<u>8,824</u>	<u>8,602</u>
Income (loss) from operations	<u>2,301</u>	<u>(300)</u>
Other expenses (income):		
Interest expense	470	700
Loss on termination of capital leases	35	—
Interest income	(7)	(6)
Total other expenses, net	<u>498</u>	<u>694</u>
Net income (loss) before change in accounting principle	1,803	(994)
Cumulative effect of change in accounting principle	<u>(1,433)</u>	<u>—</u>
Net income (loss)	<u>\$ 370</u>	<u>(994)</u>

See accompanying notes to financial statements.



# HAVRE PIPELINE COMPANY, L.L.C.

## Statements of Members' Equity

Years ended December 31, 2003 and 2002

(Amounts in thousands, except unit data)

	Members' capital		Additional paid-in capital	Accumulated deficit	Total
	Units	Amount			
Balance, December 31, 2001	2,701	\$ 2,701	8,680	(262)	11,119
Capital contributions	—	—	1,000	—	1,000
Net loss	—	—	—	(994)	(994)
Balance, December 31, 2002	2,701	2,701	9,680	(1,256)	11,125
Net income	—	—	—	370	370
Balance, December 31, 2003	2,701	\$ 2,701	9,680	(886)	11,495

See accompanying notes to financial statements.

# HAVRE PIPELINE COMPANY, L.L.C.

## Statements of Cash Flows

Years ended December 31, 2003 and 2002

(Amounts in thousands)

	<u>2003</u>	<u>2002</u>
Cash flows from operating activities:		
Net income (loss)	\$ 370	(994)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	3,318	3,019
Inventory write-down	—	161
Loss on termination of capitalized leases	35	—
Cumulative effect of change in accounting principle	1,433	—
Changes in working capital:		
Accounts receivable, trade	20	70
Inventory	(466)	2
Prepaid expenses and other	36	(36)
Related parties	(491)	(496)
Accounts payable, trade	303	(217)
Accrued liabilities	(40)	41
Net cash provided by operating activities	<u>4,518</u>	<u>1,550</u>
Cash flows from investing activities:		
Purchase of property and equipment	(128)	(280)
Cash flows from financing activities:		
Proceeds from capital contributions	—	1,000
Proceeds from long-term debt	—	900
Principal payments on long-term debt	(3,083)	(3,171)
Principal payments under capital lease obligations	(635)	(600)
Net cash used in financing activities	<u>(3,718)</u>	<u>(1,871)</u>
Net increase (decrease) in cash and cash equivalents	672	(601)
Cash and cash equivalents, beginning of year	<u>383</u>	<u>984</u>
Cash and cash equivalents, end of year	<u>\$ 1,055</u>	<u>383</u>
Supplemental disclosure of cash flow information and noncash transactions:		
Cash paid for interest	<u>\$ 479</u>	<u>442</u>

See accompanying notes to financial statements.

# HAVRE PIPELINE COMPANY, L.L.C.

## Notes to Financial Statements

December 31, 2003 and 2002

### (1) Description of Business

Havre Pipeline Company, L.L.C. (the Company), a Texas limited liability company, owns and operates a natural gas pipeline system located in Montana. The Company was organized on January 17, 1995 when the Managing Member (as defined in the member agreement) contributed the pipeline to the Company, and began operations on October 1, 1995. The Company's pipeline system consists of an extensive gas gathering system and a main pipeline system. The main pipeline system is under the jurisdiction of the Montana Public Service Commission (MPSC). The life of the Company is limited to the ultimate depletion of the reserves in the producing fields serviced by the Company's pipeline system.

### (2) Summary of Significant Accounting Policies

#### (a) *Basis of Accounting*

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

#### (b) *Gas Gathering and Transmission Operations*

The Company's revenues are derived from gathering and transmission of natural gas. Gathering revenues are recognized based on volumes received at the wellhead, while transmission revenues are recognized based upon delivered volumes. Related costs are expensed as incurred.

#### (c) *Cash Equivalents*

The Company considers all highly liquid investments with a remaining maturity of three months or less when purchased to be cash equivalents.

#### (d) *Pipeline Imbalances*

Natural gas imbalances occur when the actual amount of natural gas received by or delivered from the pipeline system differs from the contractual amount scheduled to be received or delivered. The Company values these imbalances due to or from shippers and operators at the appropriate market index price. Imbalances are either settled in cash or made up in-kind, subject to the contractual terms of settlement. Imbalances due from others are reported in the Company's balance sheet as a pipeline imbalance receivable. Imbalances owed to others are reported in the Company's balance sheet as a pipeline imbalance payable.

#### (e) *Inventory*

Inventory consists of parts and supplies used to repair and install compressors, pipelines and well connects and is valued at the lower of cost or market value (net realizable value). During 2002, the Company recognized a noncash inventory write-down charge of \$161,000 when it reduced the carrying value of its inventory to market value. There was no such write-down required in 2003.

# HAVRE PIPELINE COMPANY, L.L.C.

## Notes to Financial Statements

December 31, 2003 and 2002

**(f) *Property and Equipment***

Purchased property and equipment are stated at cost less accumulated depreciation and amortization. The provision for depreciation and amortization has been calculated using the straight-line method over the estimated useful lives. The lives of the assets range from three to fifteen years. Major renewals and betterments are capitalized to the property accounts while maintenance and repairs are expensed currently.

The Company reviews its long-lived assets and certain identifiable intangibles held and used by the Company for impairment whenever events or changes in circumstances indicate their carrying amounts may not be recoverable. In so doing, the Company estimates the future net cash flows expected to result from the use of the asset and its eventual disposition. If the sum of the expected future net cash flows from operations (undiscounted and without interest charges) is less than the carrying amount of the asset, an impairment loss is recognized to reduce the assets to estimated fair value. Long-lived assets and certain identifiable intangibles to be disposed of, if any, are reported at the lower of carrying amounts or fair value less costs to sell.

**(g) *Income Taxes***

The Company is considered a flow-through entity for federal and state income tax purposes. Any taxable income or loss is reported by the members on their individual tax returns in accordance with the Company's operating agreement.

**(h) *Environmental Liabilities***

Environmental expenditures that relate to current or future revenues are expensed or capitalized as appropriate. Expenditures that relate to an existing condition caused by past operations, and that do not contribute to current or future revenue generation, are expensed. Liabilities are accrued when environmental assessments and/or clean-ups are probable, and the costs can be reasonably estimated. Generally, the timing of these accruals coincides with the Company's commitment to a formal plan of action.

**(i) *Members' Capital Accounts***

Company profits and losses are allocated to each member in proportion to their member units. Each member's liability is limited to their respective capital contributions. Distributions are permitted by the operating agreement, but are currently restricted by the Company's credit agreement.

**(j) *Use of Estimates***

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

# HAVRE PIPELINE COMPANY, L.L.C.

## Notes to Financial Statements

December 31, 2003 and 2002

### (k) Recently Adopted Accounting Standards

The Financial Accounting Standards Board (FASB) has recently issued the following accounting pronouncement:

In June 2001, FASB Statement No. 143, *Accounting for Asset Retirement Obligations*, was issued. Statement No. 143 requires the Company to record the fair value of an asset retirement obligation as a liability in the period in which it incurs a legal obligation associated with the retirement of tangible long-lived assets that result from the acquisition, construction, development, and/or normal use of the assets. The Company also would record a corresponding asset that is depreciated over the life of the asset. Subsequent to the initial measurement of the asset retirement obligation, the obligation would be adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The Company was required to adopt Statement No. 143 on January 1, 2003. The adoption of this statement resulted in the recognition of a liability for asset retirement obligations of \$2.6 million, which was included in other noncurrent liabilities, a corresponding increase in property, plant, and equipment of \$1.2 million in the Company's balance sheets, and a cumulative accounting adjustment of \$1.4 million, net of tax, as the effect of the change in accounting principle. As of December 31, 2003, the asset retirement obligation was \$3.7 million with the only changes resulting from \$0.2 million in accretion during 2003, which is included in depreciation and amortization in the Statements of Operations, and an upward revision of \$0.9 million due to a change in assumptions to determine the undiscounted cash flow associated with the ARO.

Following is a reconciliation of reported net income assuming the provisions of SFAS No. 143 had been adopted as of January 1, 2002:

	Year ended December 31,	
	2003	2002
	(in thousands)	
Net income (loss), as reported	\$ 370	(994)
Cumulative effect of change in accounting principle	1,433	—
Change in depreciation of property, equipment, and other related assets	—	(95)
Less accretion of asset retirement obligation	—	(161)
Effect on income (loss)	1,433	(256)
Net income (loss), as adjusted	\$ 1,803	(1,250)

Following is a summary of the asset retirement obligation assuming the provisions of SFAS No. 143 had been adopted as of January 1, 2002:

Asset retirement obligation as of:	(in thousands)
January 1, 2002	\$ 2,472
December 31, 2002	\$ 2,633

# HAVRE PIPELINE COMPANY, L.L.C.

## Notes to Financial Statements

December 31, 2003 and 2002

### (1) *Reclassifications of Prior Year Amounts*

Certain account balances from the prior year have been reclassified to conform with the current year presentation.

### (3) **Property and Equipment**

A summary of property and equipment follows:

	December 31	
	2003	2002
Gathering system	\$ 16,700	16,642
Transmission system	22,551	20,985
General plant	611	565
	39,862	38,192
Accumulated depreciation	(17,853)	(14,699)
	<u>\$ 22,009</u>	<u>23,493</u>

### (4) **Long-Term Debt**

At December 31, 2003 a total of \$8.9 million was outstanding under the Company's credit agreement. This amount is being repaid in quarterly installments through December 31, 2008. The Managing Member has guaranteed the payment of principal, premium (if any), and interest on amounts outstanding under the Company's credit agreement.

The credit agreement also made available a revolving loan and line of credit aggregating \$1.0 million. As of December 31, 2002 the Company had an outstanding balance of \$0.3 million, which was fully paid in 2003. As of December 31, 2003, the Company has no borrowings outstanding. Also, the availability under the revolving loan and line of credit has expired.

Under the credit agreement, the Company had the option of having all or any portion of the term debt be the subject of a reference rate tranche or a one, two, three or six month LIBOR tranche. Interest on amounts advanced under referenced rate tranches is calculated at the lender's prime rate and paid at the end of each quarter. Interest on amounts advanced under LIBOR tranches is calculated to the adjusted LIBOR rate, as defined, and paid at the end of the tranche period. As of December 31, 2003, amounts under the credit agreement had been advanced under a LIBOR tranche at a rate of 2.62%.

Principal installments are due at the end of each quarter and are calculated on the outstanding principal balance at the end of the quarter, divided by the remaining quarters until maturity. Additional principal payments may be required under the credit agreement if operating cash flows exceed predetermined levels.

# HAVRE PIPELINE COMPANY, L.L.C.

## Notes to Financial Statements

December 31, 2003 and 2002

Scheduled minimum principal payments under the terms of the credit agreement and revolving loan are as follows (in thousands):

2004	\$	2,427
2005		1,941
2006		1,941
2007		1,941
2008		614
Thereafter		—
	\$	<u>8,864</u>

The Company's credit agreement, as amended, contains restrictive covenants which include maintenance of certain financial ratios.

### (5) Obligations Under Equipment Leases

During 2001 the Company leased four compressors under lease agreements that expire in 2006. Under the capital lease agreements the compressors and the related lease obligations have been recorded at the present value of the minimum lease payments. The total amount of the capital lease obligation incurred was \$3.4 million. Depreciation of \$657,000 for 2003 and \$681,000 for 2002 has been calculated using the straight-line method over the term of the lease and is included in depreciation expense.

In December 2003, the Company terminated two of the leases and removed the obligation and related assets from its books. As a result of the termination, the Company had to pay approximately \$254,000 for up-front costs incurred by the lessor and built into the lease payments. This amount is reflected in accrued liabilities as of December 31, 2003. The termination of the leases resulted in the removal of net equipment of \$558,000 and future obligations of \$777,000. Additionally, the Company incurred a loss of \$35,000 that is included in the Statements of Operations.

Scheduled minimum future lease payments under the capital leases are as follows (in thousands):

2004	\$	482
2005		482
2006		<u>120</u>
Total minimum lease payments		1,084
Less amount representing interest		<u>(105)</u>
Present value of net minimum lease payments	\$	<u>979</u>

Interest rates on the capital leases vary from 6.2% to 8.6% and are imputed based on an implicit rate of return to the lessor.

## HAVRE PIPELINE COMPANY, L.L.C.

### Notes to Financial Statements

December 31, 2003 and 2002

The Company also has several noncancelable operating leases, primarily for equipment, that expire over the next three years. Rental expense for operating leases was approximately \$220,000 and \$229,000 for 2003 and 2002. The operating leases require future minimum rental payments that are as follows (in thousands):

2004	\$	180
2005		151
2006		31
		<hr/>
	\$	362
		<hr/> <hr/>

#### (6) Related Party Transactions

A management service agreement between the Company and the Managing Member provides for reimbursement for financial and operational services provided to the Company. Expenses under the management service agreement totaled \$339,000 and \$339,000 for each of the years ended December 31, 2003 and 2002, respectively, and are included in general and administrative expenses in the accompanying statement of operations.

The Company also purchases gas from a related party for resale to its farm tap customers. Gas purchased totaled approximately \$140,000 and \$76,000 for the years ended December 31, 2003 and 2002, respectively. These expenses are included in operations and maintenance expenses in the accompanying statements of operations.

Accounts receivable (payable) – related parties of \$1,221,000 and \$730,000 as of December 31, 2003 and 2002, respectively, consist of receivables from an affiliate of the Managing Member for costs incurred by the Company on behalf of the affiliate, net of payables to the related party for monthly overhead and other amounts payable.

During 2003 and 2002, the Company had two shippers of natural gas on the system that are related parties. One of the shippers is a subsidiary of the Managing Member and accounted for 61% and 53% of the revenue of the Company in 2003 and 2002, respectively. During 2003 and 2002, the other related party shipper, a significant member of the Company, accounted for 30% and 38% of revenues, respectively.



## HAVRE PIPELINE COMPANY, L.L.C.

Notes to Financial Statements

December 31, 2003 and 2002

### (7) Commitments and Contingencies

A notice of arbitration captioned *KOB General Partnership, et al vs. Ocean Energy, Inc.*, et al was filed on April 7, 2003 with the American Arbitration Association naming as defendants the Company and Ocean Energy, Inc. (Ocean). On April 25, 2003, Devon Energy Corporation acquired Ocean, and thereby became the Company's Managing Member. KOB General Partnership (KOB), through its general partner Klabzuba Oil & Gas, is making demand for arbitration pursuant to the Company's regulations and to Article II of the arbitration rules of the American Arbitration Association. KOB alleges that the Managing Member has mismanaged the Company by:

- the Company failing to enforce gathering agreements between the Managing Member and the Company (circumvent issue) and
- by the Managing Member improperly underallocating gas to shipper Klabzuba Oil & Gas through the use of mechanical measurement instead of electronic flow measurement.

KOB seeks 29.07% share of an alleged \$3,500,000 owed for the circumvent issue, or \$1,017,000 and the delivery of 336,733 mmbtu of gas to Klabzuba Oil & Gas, plus attorneys fees and expenses. The Company and Devon believe that the allegation is without merit and intend to defend against it vigorously.

